Notice of
2001 Annual Meeting and

>> proxy statement



HOW TO VOTE

Your vote is important. Most shareowners have a choice of voting over the Internet, by telephone or by using a traditional proxy card. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.

ELECTRONIC ACCESS TO PROXY STATEMENT

Most shareowners can view future proxy statements and annual reports over the Internet rather than receiving paper copies in the mail. Please refer to the proxy statement and your proxy card for further information.

ANNUAL MEETING ADMISSION

You will need an admission ticket to attend the meeting. If you are a shareowner of record, or own Lucent stock through a Lucent or Avaya benefit plan, an admission ticket is included with this mailing. If you own stock through a bank, broker or other holder of record, you will need proof of ownership to attend the meeting. A recent brokerage statement or letter from your broker are examples of proof of ownership.

LUCENT TECHNOLOGIES INC.

600 Mountain Avenue
Murray Hill, New Jersey 07974

NOTICE OF ANNUAL MEETING OF SHAREOWNERS

TIME	9:00 a.m. E.S.T. Wednesday, February 21, 2001
PLACE	Linda W. Chapin Auditorium Orange County Convention Center 9800 International Drive Orlando, Florida 32819
ITEMS OF BUSINESS . .	(1) To elect a member of the Board of Directors, whose term is described in the proxy statement. (2) To approve the Lucent Technologies Inc. 2001 Employee Stock Purchase Plan. (3) To transact such other business, including consideration of a shareowner proposal, as may properly come before the meeting and any adjournment thereof.
RECORD DATE	Holders of Lucent common stock of record at the close of business on December 26, 2000, are entitled to vote at the meeting.
ANNUAL REPORT	The company's 2000 annual report, which is not a part of the proxy soliciting material, is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card sent to you. Most shareowners can also vote their shares over the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying proxy statement.

RICHARD J. RAWSON
Senior Vice President,
General Counsel
and Secretary

January 8, 2001

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Lucent Technologies Inc.
600 Mountain Avenue
Murray Hill, New Jersey 07974

Lucent Technologies
Bell Labs Innovations



PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Lucent Technologies Inc., of proxies to be voted at the company's 2001 Annual Meeting of Shareowners and at any meeting following adjournment thereof.

You are cordially invited to attend the annual meeting on February 21, 2001, beginning at 9:00 a.m. E.S.T. The meeting will be held in the Linda W. Chapin Auditorium of the Orange County Convention Center, 9800 International Drive, Orlando, Florida 32819. Shareowners will be admitted beginning at 8:00 a.m. E.S.T. The location is accessible to handicapped persons and we will provide wireless headsets for hearing amplification upon request.

You will need an admission ticket to enter the meeting. If you are a shareowner of record, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the meeting in person, please retain the admission ticket. A map and directions to the meeting are printed on the admission ticket.

If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the meeting in person, you can obtain an admission ticket in advance by sending a written request, along with proof of ownership, such as a bank or brokerage account statement, to our transfer agent, The Bank of New York, Church Street Station, P.O. Box 11009, New York, NY 10286. If you arrive at the meeting without an admission ticket, we will admit you if we are able to verify that you are a Lucent shareowner.

Lucent's fiscal year begins on October 1 and ends on September 30. References in this proxy statement to the year 2000 or fiscal 2000 refer to the 12-month period from October 1, 1999, through September 30, 2000.

We are first mailing this proxy statement and accompanying forms of proxy and voting instructions on January 8, 2001 to holders of the company's common stock on December 26, 2000, the record date for the meeting.

Proxies and Voting Procedures

Your vote is important. Because many shareowners cannot attend the meeting in person, it is necessary that a large number be represented by proxy. Most shareowners have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. The Internet and telephone voting facilities for shareowners of record will close at 12:01 a.m. E.S.T. on February 21, 2001.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote) or by voting by ballot at the meeting. By providing your voting instructions promptly, you may save the company the expense of a second mailing.

The Internet and telephone voting procedures are designed to authenticate shareowners by use of a control number and to allow you to confirm that your instructions have been properly recorded.

The method by which you vote will in no way limit your right to vote at the meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the meeting.

All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions. **If you do not indicate how your shares should be voted on a matter, the shares represented by your properly completed proxy will be voted as the Board of Directors recommends.**

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the meeting.

Shareowners Entitled to Vote

Shareowners at the close of business on the record date are entitled to notice of and to vote at the annual meeting. Each share is entitled to one vote on each matter properly brought before the meeting.

On October 1, 2000, there were 3,384,332,104 shares of common stock outstanding.

For BuyDIRECT[SM] participants: If you are a participant in the BuyDIRECT dividend reinvestment and stock purchase plan, shares held in your BuyDIRECT account are included on, and may be voted using, the proxy card sent to you. The plan's administrator is the shareowner of record of your plan shares and will not vote those shares unless you provide it with instructions, which you can do over the Internet, by telephone or by mail using the proxy card sent to you.

For Lucent Plan Participants: If you are a participant in the Lucent Savings Plan, Lucent Long Term Savings and Security Plan, Lucent INS 401(k) Plan, Ortel Saving Plan, Lucent Employee Stock Purchase Plan, Lucent Long Term Savings and Security Employee Stock Ownership Trust, or Lucent Employee Stock Ownership Plan, you will receive one proxy card for all shares you own through those plans or in an Employee Stock Purchase Plan account. That proxy card will serve as a voting instruction card for the trustees or administrators of those plans where all accounts are registered in the same name. If you own shares through these plans or in an Employee Stock Purchase Plan account and do not vote, the plan trustees will vote the plan shares in the same proportion as shares for which instructions were received under each plan, and shares held in an Employee Stock Purchase Plan account will be voted in accordance with normal brokerage industry practices.

For Avaya Plan Participants: If you are a participant in the Avaya Inc. Savings Plan or the Avaya Inc. Savings Plan for Salaried Employees or hold Lucent stock in an Avaya Employee Stock Purchase Plan account, you will receive one proxy card for all shares you own through those plans or in an Avaya Employee Stock Purchase Plan account. That proxy card will serve as a voting instruction card for the trustees or administrators of those plans where all accounts are registered in the same name.

If you hold Lucent stock through any other company's

[SM]BuyDIRECT is a service mark of The Bank of New York

stock purchase or savings plan, you will receive voting instructions from that plan's administrator. Please sign and return those instructions promptly to assure that your shares are represented at the meeting.

In accordance with Delaware law, a list of shareowners entitled to vote at the meeting will be available at the location of the annual meeting on February 21, 2001, and for 10 days prior to the meeting at 600 Mountain Avenue, Murray Hill, New Jersey, between the hours of 9 a.m. and 4 p.m. E.S.T.

Required Vote

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote generally for the election of Directors is necessary to constitute a quorum at the meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

A plurality of the votes duly cast is required for the election of a Director (i.e., the nominee receiving the greatest number of votes will be elected). Abstentions and broker "non-votes" are not counted for purposes of the election of a Director.

The affirmative vote of the holders of a majority of the common shares present in person or represented by proxy and entitled to vote is required to approve the Lucent Technologies Inc. 2001 Employee Stock Purchase Plan and the shareowner proposal. An abstention is counted as a vote against the Employee Stock Purchase Plan and the shareowner proposal. A broker "non-vote" is not counted for purposes of approving the Employee Stock Purchase Plan and the shareowner proposal.

Electronic Access to Proxy Materials and Annual Report

This proxy statement and the 2000 annual report are available on Lucent's Internet site at **http://www.lucent.com/investor.** Most shareowners can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail.

If you are a shareowner of record, you can choose this option and save the company the cost of producing and mailing these documents by marking the appropriate box on your proxy card or by following the instructions

provided if you vote over the Internet or by telephone. You can also choose between paper documents and electronic access by calling the Lucent Shareowner Services toll-free number, 1-888-LUCENT6.

If you choose to view future proxy statements and annual reports over the Internet, you will receive a proxy card in the mail next year with instructions containing the Internet address of those materials. Your choice will remain in effect until you call the Lucent Shareowner Services toll-free number and tell us otherwise. You do not have to elect Internet access each year.

If you hold your Lucent stock through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet.

Most shareowners who hold their Lucent stock through a bank, broker or other holder of record and who elect electronic access will receive an e-mail message next year containing the Internet address to use to access Lucent's proxy statement and annual report.

Cost of Proxy Solicitation

Lucent will pay the cost of soliciting proxies. Proxies may be solicited on behalf of the company by Directors, officers or employees of the company in person or by telephone, facsimile or other electronic means. We have engaged the firm of Morrow & Co., Inc. to assist us in the distribution and solicitation of proxies. We have agreed to pay Morrow & Co., Inc. a fee of $17,000 plus expenses for these services.

In accordance with the regulations of the Securities and Exchange Commission and the New York Stock Exchange, we will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of Lucent stock.

GOVERNANCE OF THE COMPANY

Pursuant to the Delaware General Corporation Law and the company's by-laws, Lucent's business, property and affairs are managed under the direction of the Board of Directors. Members of the Board are kept informed of the company's business through discussions with the Chairman and officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees.

During fiscal 2000, the Board held 11 meetings and the committees held a total of 11 meetings. The average attendance at the Board and committee meetings was 94%.

Committees of the Board of Directors

During fiscal 2000, the Board of Directors had two ongoing committees: the Audit and Finance Committee and the Corporate Governance and Compensation Committee. Paul Allaire is the Chairman of our Audit and Finance Committee. Franklin Thomas is the Chairman of our Corporate Governance and Compensation Committee. During fiscal 2000, the Audit and Finance Committee met 6 times and the Corporate Governance and Compensation Committee met 5 times.

In November 2000, the Board reconstituted the Technology Committee to focus on the company's research and development and product development efforts and on the company's use of its intellectual property portfolio. John Young is the Chairman of this committee.

REPORT OF THE AUDIT AND FINANCE COMMITTEE

The audit functions of the Audit and Finance Committee are focused on three areas:

- the adequacy of the company's internal controls and financial reporting process and the reliability of the company's financial statements.
- the independence and performance of the company's internal auditors and independent auditors.
- the company's compliance with legal and regulatory requirements.

We meet with management periodically to consider the adequacy of the company's internal controls and the objectivity of its financial reporting. We discuss these matters with the

company's independent auditors and with appropriate company financial personnel and internal auditors.

We regularly meet privately with both the independent auditors and the internal auditors, each of whom has unrestricted access to the committee.

We also recommend to the Board the appointment of the independent auditors and review periodically their performance and independence from management.

In addition, the committee reviews the company's financing plans and reports recommendations to the full Board for approval and to authorize action.

The Directors who serve on the committee are all "Independent" for purposes of the New York Stock Exchange listing standards. That is, the Board of Directors has determined that none of us has a relationship to Lucent that may interfere with our independence from Lucent and its management.

The Board has adopted a written charter setting out the audit related functions the committee is to perform. You can find a copy of that charter attached to this proxy statement as Appendix A.

Management has primary responsibility for the company's financial statements and the overall reporting process, including the company's system of internal controls.

The independent auditors audit the annual financial statements prepared by management, express an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of the company in conformity with generally accepted accounting principles and discuss with us any issues they believe should be raised with us.

This year, we reviewed the company's audited financial statements and met with both management and PricewaterhouseCoopers, the company's independent auditors, to discuss those financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles.

We have received from and discussed with PricewaterhouseCoopers the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from the company. We also discussed with PricewaterhouseCoopers any matters required to be

discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

Based on these reviews and discussions, we recommended to the Board that the company's audited financial statements be included in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000.

Paul A. Allaire (Chairman)
Betsy S. Atkins
Franklin A. Thomas

Corporate Governance and Compensation Committee

The functions of the Corporate Governance and Compensation Committee include: recommending to the full Board nominees for election as Directors of the company, making recommendations to the Board from time to time as to matters of corporate governance, administering management incentive compensation plans, establishing the compensation of officers and reviewing the compensation of Directors. The committee will consider qualified candidates for Director suggested by shareowners in written submissions to Lucent's Corporate Secretary.

Under Lucent's by-laws, nominations for Director may be made only by the Board or a Board committee, or by a shareowner entitled to vote who delivers notice along with the additional information and materials required by the by-laws to the Corporate Secretary of the company not less than 45 days nor more than 75 days prior to the first anniversary of the record date for the preceding year's annual meeting. For Lucent's annual meeting in the year 2002, we must receive this notice on or after October 12, 2001, and on or before November 11, 2001. You can obtain a copy of the full text of the by-law provision by writing to the Corporate Secretary, 600 Mountain Avenue, Room 3C-515, Murray Hill, New Jersey 07974.

Compensation of Directors

Each non-employee Director receives annually a retainer of $100,000 and an option to purchase 5,000 shares of Lucent stock. The Chairman of each of the Audit and Finance Committee, the Corporate Governance and Compensation Committee and the Technology Committee receives an additional retainer of $10,000. Directors may elect to receive between 50% and 100% of their retainer in Lucent stock or an option to purchase Lucent stock or a combination of stock and an option. Any remainder will be paid in cash. Any option elected will enable the Director

to purchase the number of shares resulting from the following formula:

$$\text{Number of shares} = 3 \times \frac{\text{Dollar value of retainer taken as an option}}{\text{Fair market value of a share of common stock on date of grant}}$$

The exercise price per share under the option will be the fair market value of a share on the date of grant. Options will generally become exercisable on the six-month anniversary of the date of grant and have a 10-year term.

In October 2000, when Mr. Schacht became Chairman and Chief Executive Officer, the Board appointed Mr. Thomas Senior Director. In that capacity, Mr. Thomas has day-to-day contact with company management, advising Mr. Schacht and others on a broad range of matters. He has also taken on additional corporate governance activities for the Board. For his services as Senior Director, Mr. Thomas will receive twice the regular annual compensation received by Directors.

Under the company's Deferred Compensation Plan, non-employee Directors may defer all or a portion of their cash and stock compensation to a deferred compensation account. Deferred compensation plan accounts have two components. The first is a Lucent stock portion. The second is a cash portion. Directors can defer receipt of cash retainers to either portion of their accounts. The stock portion of a retainer can be deferred only to the Lucent stock portion of an account. The value of the Lucent stock portion of an account fluctuates based on changes in the price of Lucent stock. Dividend equivalents are credited on the Lucent stock portion of accounts. The cash portion of an account earns interest, compounded quarterly, at an annual rate equal (a) to 120% of the average interest rate for 10-year U.S. Treasury notes for the previous quarter, in the case of deferrals after October 1, 1997, and (b) to the average interest rate for 10-year U.S. Treasury notes for the previous quarter plus 5%, in the case of deferrals on or before that date. Interest rates for deferrals to the cash account may be revised by the Board.

All distributions from the Lucent stock portion of an account will be made in Lucent stock, unless the company decides otherwise. In the event of a Potential Change in Control, as defined in the plan, the plan will be supported by a benefits protection grantor trust, the assets of which will be subject to the claims of the company's creditors.

Lucent also maintains a general insurance policy that provides non-employee Directors with travel accident insurance

when on company business. An individual who became a non-employee director before 1999 may purchase life insurance under a company program pursuant to which the company will pay a portion of the premium. The amount paid by the company is to be returned to the company no later than following the death of the individual.

Compensation Committee Interlocks and Insider Participation

In fiscal 2000, all of our independent Directors served on the Corporate Governance and Compensation Committee. Franklin A. Thomas was the Chairman of the committee. The other committee members were: Paul A. Allaire, Betsy S. Atkins, Carla A. Hills, Paul H. O'Neill and John A. Young. During fiscal 2000, Patricia F. Russo, formerly Executive Vice President and CEO, Service Provider Networks, was a director of Xerox Corporation, of which Mr. Allaire is Chairman of the Board and Chief Executive Officer. During a portion of fiscal 2000, Mrs. Russo was also a member of the Executive Compensation and Benefits Committee of Xerox.

Relationship with Independent Public Accountants

Upon the recommendation of the Audit and Finance Committee, the Board has reappointed PricewaterhouseCoopers LLP as the independent public accounting firm to audit our financial statements for the fiscal year beginning October 1, 2000.

Representatives of PricewaterhouseCoopers will be present at the meeting. They will be given the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors and executive officers to file reports of holdings and transactions in Lucent stock with the Securities and Exchange Commission and the New York Stock Exchange. Based on our records and other information, we believe that all Securities and Exchange Commission filing requirements applicable to our Directors and executive officers with respect to fiscal 2000 were met, except that Richard A. McGinn filed his Form 5 late. That filing reported a total of four transactions: three option grants and a gift.

BOARD OF DIRECTORS

The Board of Directors is divided into three classes, whose terms expire at successive annual meetings. In late December 2000, Paul H. O'Neill was nominated as the next Secretary of the Treasury of the United States. Following his nomination, Mr. O'Neill resigned from the Board of Directors. We congratulate Mr. O'Neill and thank him for his valued contributions as a Director since 1996.

One Director will be elected at the annual meeting to serve for a three-year term expiring at the company's annual meeting in 2004. We have nominated Franklin A. Thomas for this position. You can find the principal occupation and other information about Mr. Thomas below.

The persons named in the proxy card will vote such proxy for the election of Mr. Thomas, unless you indicate that your vote should be withheld. They will not vote for additional Directors. If elected, Mr. Thomas will continue in office until his successor has been duly elected and qualified, or until the earlier of his death, resignation or retirement. We expect Mr. Thomas to be able to serve if elected.

Beginning on page 12, you can find the principal occupation and other information about the Directors whose terms of office will continue after the annual meeting. You can find information about the Lucent stock ownership of Mr. Thomas and those other Directors on page 14.

The Board of Directors recommends a vote FOR the election of Mr. Thomas as Director.

NOMINEE FOR TERM EXPIRING IN 2004



Franklin A. Thomas, Director of Lucent since 1996. Consultant to the TFF Study Group since 1996 (a non-profit initiative assisting development in southern Africa). Retired President of The Ford Foundation (1979–1996). Director of Alcoa Inc., Avaya Inc., Citigroup N.A., Conoco Inc., Cummins Engine Company, Inc.; and PepsiCo, Inc. Committees: Chairman of the Corporate Governance and Compensation Committee and Member of the Audit and Finance Committee. Age: 66.

DIRECTORS WHOSE TERMS WILL EXPIRE IN 2002



Paul A. Allaire, Director of Lucent since 1996. Chairman (since 1991) and Chief Executive Officer (since May 2000 and 1990-1999) of Xerox Corporation (document processing services and products). Director of GlaxoSmithKline plc; priceline.com Incorporated; and Sara Lee Corp.; Committees: Chairman of the Audit and Finance and member of the Corporate Governance and Compensation Committees. Age: 62.



Henry B. Schacht, Director of Lucent since 1996. Chairman and Chief Executive Officer of Lucent since October 2000. Chairman of the Board (1996-1998) and Chief Executive Officer (1996-1997) of Lucent. Director and Senior Advisor, E.M. Warburg, Pincus & Co., LLC. Chairman (1977-1995) and Chief Executive Officer (1973-1994) of Cummins Engine Company, Inc. Director of Alcoa Inc.; Avaya Inc.; The Chase Manhattan Corporation; The Chase Manhattan Bank, N.A.; Johnson & Johnson; Knoll, Inc.; and The New York Times Co. Age: 66.



John A. Young, Director of Lucent since 1996. Chairman-designate of Agere Systems Inc., the microelectronics business that Lucent proposes to spin off. Vice Chairman of Novell, Inc. since 1997. Retired President and Chief Executive Officer of Hewlett-Packard Company (manufacturer of measurement and computation products) (1978–1992). Director of Affymetrix, Inc.; Chevron Corp.; Ciphergen Biosystems, Inc.; GlaxoSmithKline plc and Novell, Inc. Committees: Chairman of the Technology Committee and member of the Corporate Governance and Compensation Committee. Age: 68.

DIRECTOR WHOSE TERM WILL EXPIRE IN 2003



Betsy S. Atkins, Director of Lucent since April 2000. Chief Executive Officer of Baja Corporation (investor in early stage, high-tech companies). Director of Advance Switching Communications Inc.; Polycom, Inc. and Selectica Inc. Helped found Ascend Communications, Inc., and was a member of its board prior to its acquisition by Lucent in 1999. Committees: Member of the Audit and Finance, Corporate Governance and Compensation and Technology Committees. Age: 45.



Carla A. Hills, Director of Lucent since 1996. Chairman and Chief Executive Officer of Hills & Company (international consultants) since 1993. United States Trade Representative (1989–1993). Director of American International Group, Inc.; Chevron Corp.; and Time Warner Inc. Committees: Member of the Corporate Governance and Compensation Committee. Age: 66.

SHARE OWNERSHIP OF MANAGEMENT AND DIRECTORS

The following table sets forth information concerning the beneficial ownership of the company's common stock as of October 1, 2000, for: (a) each Director, (b) our Chief Executive Officer during fiscal 2000 and the four other most highly compensated executive officers and (c) the Directors and executive officers as a group. Except as otherwise noted, the named individual or family members had sole voting and investment power with respect to such securities. All share amounts and totals reflect anti-dilution adjustments made to stock options and restricted stock unit awards following the spin-off of Avaya.

Name	Common Stock Beneficially Owned(1)(2)	Other Common Stock Equivalents(3)	Total
(a)			
Paul A. Allaire	33,728	—	33,728
Betsy S. Atkins	11,975	—	11,975
Carla A. Hills	23,675	52,539	76,214
Henry B. Schacht	1,183,520	12,767	1,196,287
Franklin A. Thomas	18,318	45,132	63,450
John A. Young	10,072	14,969	25,041
(b)			
Richard A. McGinn	2,914,050(4)	1,052,446	3,966,496
Deborah C. Hopkins	1,500	120,876	122,376
John T. Dickson	194,351	309,845	504,196
Ben Verwaayen	721,229	475,445	1,196,674
Donald K. Peterson	789,375	5,952	795,327
(c)			
Directors and Executive Officers as a Group (14 persons)	8,698,597	2,946,062	11,644,659

Footnotes

(1) No individual Director or officer identified above beneficially owns 1% or more of Lucent's outstanding common stock, nor do the Directors and executive officers as a group. The company does not know of any person who beneficially owns more than 5% of the outstanding common stock.

(2) Includes beneficial ownership of the following numbers of shares that may be acquired within 60 days of October 1, 2000 pursuant to stock options awarded under company stock plans:

- Paul A. Allaire—10,072 shares
- Betsy S. Atkins—10,375 shares
- Carla A. Hills—13,048 shares
- Henry B. Schacht—1,179,808 shares
- Franklin A. Thomas—16,850 shares
- John A. Young—10,072 shares
- Richard A. McGinn—2,692,090 shares
- John T. Dickson—183,062 shares
- Ben Verwaayen—721,227 shares
- Donald K. Peterson—711,757 shares
- Directors and Executive Officers as a Group—8,085,312 shares

Also includes 5,237 shares subject to a restricted stock unit award held by Mr. Dickson that vested in October 2000. Of these shares, 110 were withheld to pay applicable withholding taxes. Mr. Dickson deferred receipt of the remaining shares under the company's Deferred Compensation Plan.

(3) Includes restricted stock units and amounts held in Lucent stock accounts under the company's Deferred Compensation Plan. The value of these accounts depends directly on the market price of shares.

(4) Includes 27,734 shares held by a charitable foundation over which Mr. McGinn has shared voting and investment power.

DIRECTORS' PROPOSAL TO APPROVE THE LUCENT TECHNOLOGIES INC. 2001 EMPLOYEE STOCK PURCHASE PLAN

We are asking shareowners to approve a new employee stock purchase plan. This plan will replace our existing employee stock purchase plan, which is scheduled to expire this year. The plan allows employees to purchase Lucent stock using payroll deductions. We are asking shareowners to approve the plan so that employees may receive the special tax treatment provided by section 423 of the Internal Revenue Code. The new plan is an important element in our efforts to recruit and retain the talent we need to maintain and improve the company's competitive position.

If approved by shareowners, the new plan will become effective on July 1, 2001, or sooner if the Board of Directors determines, at which time the existing plan will terminate. The new plan, which has been approved by the Board of Directors, provides for the issuance of up to 250 million shares. As of November 1, 2000, approximately 163 million shares remained available for purchase under the existing plan. Any shares that remain available under the existing plan when the new plan becomes effective and the existing plan terminates will **not** be added to the shares available for purchase under the new plan.

Summary of the New Plan

Purpose. The purpose of the new plan is to provide employees of Lucent and designated subsidiaries with an opportunity to purchase Lucent common stock and, therefore, to have an additional incentive to contribute to the success of the company.

Administration. The new plan will be administered by the Corporate Governance and Compensation Committee of Lucent's Board of Directors. The committee has full power to interpret the plan, and its decisions will be final and binding upon all participants.

Eligibility. Any employee of Lucent or any of the subsidiaries designated by the committee will be eligible to participate in the new plan. However, no employee will be eligible to participate in the new plan if, immediately after the grant of an option to purchase stock under the plan, that employee would own 5% of either the voting power or the value of Lucent's common stock. No employee's rights to purchase Lucent common stock pursuant to the plan may accrue at a rate that exceeds $25,000 per calendar year. As of October 31, 2000, approximately 139,100 Lucent employees, including 7 executive officers, would have been eligible to participate in the plan.

Participation. Under the new plan a participant must authorize payroll deductions, which may not exceed 10% of their eligible compensation. An employee's right to participate

in the plan terminates when the employee's employment with the company terminates.

The new plan provides for offering periods of 24 months each. The committee may make a particular offering period shorter or longer, but not longer than 27 months. A participant in the plan would purchase stock at approximately six-month intervals, although the committee has the authority to provide for purchase periods of different lengths. The first business day of each offering period is referred to as the entry date, except that for people who elect to participate after that date, the entry date is the first business day of the first purchase period beginning after their election.

Each participant is automatically granted an option to purchase shares of common stock on his or her entry date. The option generally expires at the end of the offering period or upon termination of employment, whichever is earlier, but is exercised at the end of each purchase period to the extent of the payroll deductions accumulated during that purchase period. In addition to the limitation described above, no participant may purchase more than 500 shares of common stock during any purchase period, unless the committee determines otherwise.

Purchases. Shares of common stock will be purchased under the new plan at a price equal to 85% of the fair market value of a share of Lucent common stock on (1) the relevant entry date or (2) the last trading day of the purchase period, whichever is less. Under the existing plan, shares are purchased monthly at a price equal to 85% of the fair market value of a share of Lucent common stock on the last trading day of the month.

On December 22, 2000, the reported last sale price per share of Lucent common stock was $13.625. The number of shares of Lucent common stock a participant purchases in each purchase period is determined by dividing the total amount of payroll deductions withheld from the participant's compensation during that purchase period by the purchase price.

Termination of Employment. Termination of a participant's employment other than by reason of death, disability or retirement immediately cancels his or her option and participation in the new plan. If this occurs, the payroll deductions credited to the participant's account will be returned without interest to him or her. If a participant dies, retires or terminates employment due to disability, his or her accumulated payroll deductions will be used to purchase shares on the applicable purchase date, unless the purchase date occurs more than three months after the event.

Adjustments upon Changes in Capitalization, Merger or Sale of Assets. In the event of any stock split, stock dividend, spin-off, reclassification, recapitalization or other similar event affecting

Lucent's common stock, adjustments may be made in the number of shares of stock subject to the new plan, the number and kind of shares of stock to be purchased pursuant to each option and the price per share of common stock covered by each option. Any such adjustment will be made by the committee, whose determination shall be final. In the event of a proposed sale of all or substantially all of the assets of Lucent or the merger or consolidation of Lucent with another company, the Board may determine that each option will be assumed by, or an equivalent option substituted by the successor company or an affiliate, that the purchase date will be accelerated, or that all outstanding options will terminate and accumulated payroll deductions will be refunded.

Amendment and Termination. The Board of Directors may terminate or amend the new plan at any time, except that it may not increase the number of shares subject to the plan other than as described in the above. The new plan will continue until all of the shares authorized for the plan are sold unless terminated by the Board sooner.

Withdrawal. A participant may withdraw from a purchase period and have any payroll deductions returned to the participant under conditions established by the committee. The committee may also establish rules limiting the frequency with which participants may withdraw and may establish a waiting period for participants wishing to re-authorize payroll deductions.

New Plan Benefits. Because benefits under the new plan will depend on employees' elections to participate and the fair market value of Lucent common stock at various future dates, it is not possible to determine the benefits that will be received by executive officers and other employees if the new plan is approved by the shareowners. Non-employee directors are not eligible to participate in the new plan.

U.S. Federal Income Tax Consequences

If shareowners approve this proposal, the new plan, and the right of participants to make purchases thereunder, should qualify for treatment under the provisions of sections 421 and 423 of the Internal Revenue Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the plan are sold or otherwise disposed of.

Upon sale or other disposition of the shares, the participant will generally be subject to tax and the amount of the tax will depend upon the holding period. If the shares are sold or otherwise disposed of more than two years from the applicable entry date and more than one year from the date of transfer of the shares to the participant, then the participant generally will recognize ordinary income measured as the lesser of

(i) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or

(ii) an amount equal to 15% of the fair market value of the shares as of the applicable entry date.

Any additional gain should be treated as long-term capital gain.

If the shares are sold or otherwise disposed of before the expiration of this holding period, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the holding period.

Lucent is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent ordinary income is recognized by participants upon a sale or disposition of shares prior to the expiration of the holding period(s) described above. In all other cases, no deduction is allowed to Lucent.

The foregoing discussion is not intended to cover all tax consequences of participation in the new plan. The tax consequences outlined above apply only with respect to an employee whose income is subject to United States federal income tax during the period beginning with the grant of an option and ending with the disposition of the Lucent shares acquired through the exercise of the option. Different or additional rules may apply to individuals who are subject to income tax in a foreign jurisdiction and/or are subject to state/local income tax in the United States.

Other Matters

The Board has not determined what action it will take if the new plan is not approved by shareowners, although it does have the power to extend the term of the existing plan.

A copy of the new plan was filed electronically with the Securities and Exchange Commission with this proxy statement.

The Board of Directors recommends that shareowners vote FOR this proposal. Proxies solicited by the Board of Directors will be so voted unless shareowners specify otherwise in their proxies.

SHAREOWNER PROPOSAL

Any shareowner who intends to present a proposal at the annual meeting in the year 2002 must deliver the proposal to the Corporate Secretary at 600 Mountain Avenue, Murray Hill, New Jersey 07974:

- not later than September 10, 2001, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934

- On or after October 12, 2001, and on or before November 11, 2001, if the proposal is submitted pursuant to Lucent's by-laws, in which case we are not required to include the proposal in our proxy materials.

SHAREOWNER PROPOSAL

Mrs. Evelyn Y. Davis, having an office at the Watergate Office Building, Suite 215, 2600 Virginia Avenue, N.W., Washington, D.C. 20037, owner of 400 shares, has proposed the adoption of the following resolution and has furnished the following statement in support of her proposal:

RESOLVED: "That the stockholders of Lucent Technologies recommend that the Board of Directors take the necessary steps to instate the election of directors ANNUALLY, instead of the stagger system which was recently adopted."

REASONS:

"The great majority of New York Stock Exchange listed corporations elect all their directors each year."

"This insures that ALL directors will be more accountable to ALL shareholders each year and to a certain extent prevents the self-perpetuation of the Board."

"Last year the owners of 840,639,048 shares, representing approximately 42.8% of shares voting, voted FOR this proposal."

"If you AGREE, please mark your proxy FOR this resolution."

Your Directors recommend a vote AGAINST this proposal.

The Board of Directors continues to believe that this proposal is not in the best interests of Lucent or its shareowners.

The Board continues to believe that Directors who are elected to three-year terms are just as accountable to shareowners as Directors who are elected on an annual basis. We have fiduciary duties that do not depend on how often we are elected. We also have in place policies that further the accountability of the Board to the shareowners:

- We have a performance evaluation process, through which Directors candidly assess the effectiveness of the Board and identify areas requiring improvement or change.

- We have a compensation program that directly aligns the Directors' interests with those of the shareowners by requiring that a substantial portion of each Director's retainer be paid in Lucent stock or an option to purchase Lucent stock. In fiscal 2000, the majority of the eligible Directors elected to take their entire retainer in stock or an option to purchase stock.

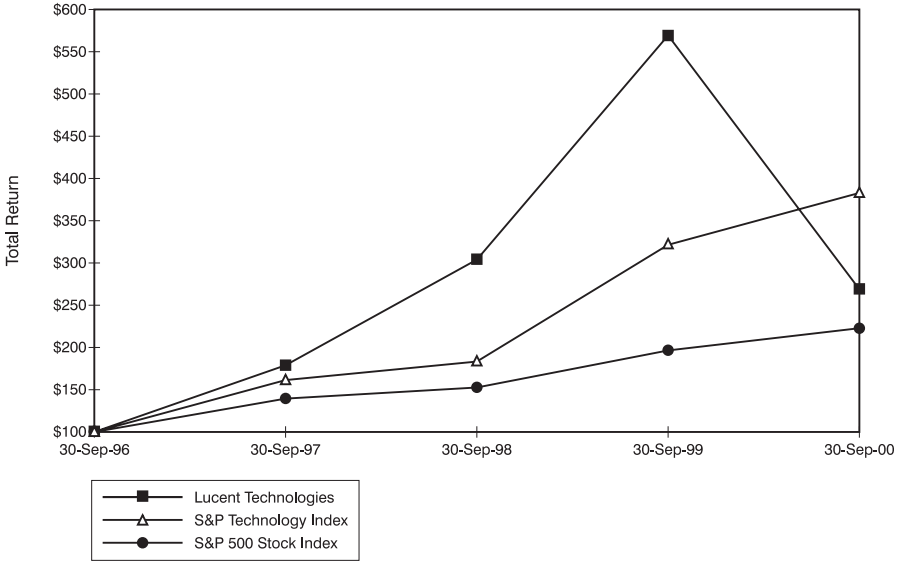
The Board also continues to believe that having a staggered Board assures continuity and stability of the company's business strategies and policies. This is especially important in light of the fast-paced, competitive industry in which Lucent operates. Because at least two shareowner meetings would be required to effect a change in control of the Board, a majority of the Directors at any given time will be familiar with the company's business strategy through service as a Director. In addition, in the event of an unfriendly or unsolicited takeover proposal, the staggered system gives the Board the greatest opportunity to negotiate with a third party or to consider other alternatives that would maximize shareowner value.

The Board of Directors recommends a vote AGAINST the adoption of this shareowner proposal. Proxies solicited by the Board of Directors will be so voted unless shareowners specify otherwise in their proxies.

PERFORMANCE GRAPH

The graph below provides an indicator of cumulative total shareowner returns for Lucent as compared with the S&P Technology Sector Index and the S&P 500 Stock Index weighted by market value at each measurement point.

This graph covers the period of time from September 30, 1996, through September 30, 2000.



	September 30, 1996	September 30, 1997	September 30, 1998	September 30, 1999	September 30, 2000
Lucent Technologies . .	$100.00	$178.03	$303.84	$570.13	$268.02
S&P Technology Index .	$100.00	$162.41	$183.86	$321.32	$383.95
S&P 500 Stock Index . .	$100.00	$140.44	$153.15	$195.73	$221.72

REPORT OF THE CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

Our report covers the following topics:

- Role of the Corporate Governance and Compensation Committee
- Executive Compensation Guiding Principles
- Components of Our Compensation Program
- Compensation of the Chief Executive Officer
- Broader Employee Compensation

Role of the Corporate Governance and Compensation Committee

As a committee, we set the overall compensation principles for the company and review the entire compensation program every year. We also review and establish the individual compensation levels for the members of the senior leadership team and have considered the advice of independent, outside consultants in determining whether the amounts and types of compensation the company pays its officers are appropriate. None of the members of the committee is a current or former employee of the Company.

Executive Compensation Guiding Principles

The goal of our compensation program is to attract, motivate and retain the highly talented individuals Lucent needs to be a market leader in a highly competitive industry. The following principles guided the development of the program:

- **Compensation should be related to performance**

We believe that the better an individual performs, the higher the individual's compensation should be. We believe that individual compensation should also be tied to how well the company performs financially so that when the company's performance is better than our objectives, individuals should be paid more and when the company's performance does not meet our objectives, any incentive award payment will be at the committee's discretion.

- **Lucent employees should own Lucent stock**

We provide Lucent employees at all levels with a number of ways to become shareowners. We have made stock option grants to broad segments of the employee population and have programs that are intended to increase stock ownership among employees. These programs include stock option plans under which we make discretionary stock option grants to employees worldwide, an employee stock purchase plan which enables employees to purchase Lucent stock at a discount through payroll deductions and 401(k) savings plans that allow U.S. employees to invest in company stock. Our goal is to have market competitive stock programs that encourage each employee to act like an owner of the business.

- **Incentive compensation should be a greater part of total compensation for more senior positions**

The proportion of an individual's total compensation that varies with individual and company performance objectives should increase as the individual's business responsibilities increase. For fiscal 2000, approximately 90% of the total target pay opportunity of our former Chief Executive Officer, Richard A. McGinn, was at risk against short and long term performance goals.

- **Other goals**

As described below, our compensation program is designed to balance short and long term financial objectives, build shareowner value and reward individual, team and corporate performance.

We review compensation survey data from several independent sources to ensure that our total compensation program is competitive. Companies selected for the survey are those with whom we compete for executive talent. We target executive compensation levels between the 50th and the 75th percentile of our comparison group. The company's competitors for executive talent are not necessarily the same companies that are included in the S&P Technology Sector Index used to compare shareowner returns (see Performance Graph, page 21) because the company generally requires skills from a more varied set of backgrounds.

It is our goal to have most of the compensation paid to the company's five most highly compensated executive officers qualify as performance based and deductible for federal income tax purposes under

Section 162(m) of the Internal Revenue Code. We have structured most of our compensation plans so that amounts paid under those plans will be fully deductible. However, some of the compensation we pay cannot be deducted. The compensation paid to those officers that cannot be deducted includes salary, the value of perquisites and restricted stock unit awards, to the extent that the aggregate value of these amounts exceeds $1 million. Based on the complexity of managing an enterprise as large and diverse as Lucent, the rapidly changing nature of our business and the amount at stake for our shareowners, we believe it is appropriate to pay that compensation, even though it is not tax-deductible.

Components of Our Compensation Program

The four components of our compensation program are:

- Base Salary
- Short Term Bonus
- Long Term Incentives
- Special Equity Grants

1. Base Salary

We set base salaries for all officers at levels that are comparable to similar positions at companies with whom we compare for compensation purposes. While we conduct surveys annually, we usually adjust salaries only when our market surveys show a significant deviation. This is in line with our philosophy that compensation above competitive levels should come primarily from the variable portion of the compensation package.

2. Short Term Incentives

We designed the annual bonus component of incentive compensation to align officer pay with the short term (annual) performance of the company. In 2000, one half of the annual bonus opportunity was based on corporate earnings per share objectives. The other half of the annual bonus opportunity was tied to individual and team performance, as determined by the committee at the end of the year. This year we did not award any bonuses based on company performance and awarded bonuses based on individual performance only when the individual's business unit met our performance expectations for the year. When we evaluate individual performance, we consider factors such as leadership, customer focus, business knowledge, innovation, social responsibility, and execution of Lucent's business strategy.

3. Long Term Incentives: Stock Options and Three-Year Performance Awards

We generally make grants of stock options to officers once a year. These annual options have an exercise price equal to the fair market value of a share the day we grant the options. These options generally vest within four years and expire ten years from the date of the grant. We base target grants on a comparison to our selected sample group; however, grants to individuals are adjusted based on individual performance, retention and other special circumstances.

In the past, we also granted long term performance awards to officers. Under these awards, officers can receive cash payments based on the company's performance over a three-year period. We no longer grant long term performance awards, having replaced them as part of our compensation program with stock options.

Three years ago, we granted long term performance awards that would have paid out in the fall of 2000. Based on the company's financial performance over the three year performance period, we decided not to make any payments on these awards.

4. Special Equity Grants: Stock Options and Restricted Stock Units

We believe that ownership of Lucent stock is a key element of our compensation program and that retention of our officer team is essential to Lucent's success. From time to time, we make special equity grants to help accomplish one or both of these objectives. Depending on the circumstances, a special equity grant may take the form of a stock option, restricted stock units or a combination of the two. These awards typically have longer vesting periods than annual awards.

Following the spin-off of Avaya, all stock options and restricted stock unit awards for Lucent employees were adjusted so that holders of these awards will receive only Lucent stock, and not Avaya stock, when they exercise their stock options or when their restricted stock units vest. As part of these adjustments, for each stock option both the number of shares covered by the option and the exercise price were adjusted, and for each restricted stock unit award the number of shares covered by the award was adjusted, in each case, to preserve the value of these

awards after the spin-off. Throughout this proxy statement, information about stock options and restricted stock unit awards granted before the spin-off has been restated to reflect these adjustments.

Compensation of the Chief Executive Officer

In fiscal 2000, the company's most highly compensated officer was Richard A. McGinn, our former Chairman of the Board and Chief Executive Officer. Below you will find a description of Mr. McGinn's compensation for fiscal 2000.

At our compensation targets, approximately 10% of Mr. McGinn's total annual compensation would have been base salary, 12% would have been short term incentive compensation and 78% would have been long term incentive compensation.

Base Salary:

In fiscal 2000, we did not change Mr. McGinn's base salary of $1,100,000. This base salary had not been adjusted since October 1997.

Short Term Incentives:

Based on the company's financial performance in fiscal year 2000, we decided not to award Mr. McGinn any short-term bonus.

Long Term Incentives:

In fiscal 2000, we granted Mr. McGinn three stock options, covering a total of 3,424,820 shares. One option, covering 402,920 shares, was part of our annual grant program. The other two options were special grants that we made to address significant changes in market compensation levels. One of these grants covered 1,007,300 shares. The remaining option covered 2,014,600 shares.

Performance Awards:

Based on the company's financial performance over the three year period ending in fiscal 2000, we decided not to make any payment to Mr. McGinn under a performance award granted in fiscal 1998.

At the time this proxy statement went to press, we were in discussions with Mr. McGinn concerning the financial and other terms of his departure from the company, although no agreement had been reached.

Broader Employee Compensation

We operate in an extremely competitive industry. We compete not only with respect to the products we sell, but also for the increasingly

scarce, talented people who conceive, design, build, sell and service these products.

Our competitors for talent include both large, established equipment manufacturers, and start-up companies focused on new technologies. Start-up companies are able to offer their employees stock option grants with very substantial upside potential if their products are successful.

Unless our compensation policies are competitive, we will lose our most vital asset: our people. Without the right people, we will not be able to compete effectively.

In this environment, we have found it necessary to become more aggressive in our policies concerning stock options. We have increased our guidelines as to how many stock options employees receive and have significantly increased the percentage of our management and technical population that receive stock option grants.

In addition, following a very significant decline in our stock price that threatened the ability of recently granted options to encourage employees to stay with the company, we made a special stock option grant in August to employees other than officers who had received grants earlier in the calendar year. Unlike our regular stock options, these stock options will expire in two years. They also require one year of service before they vest. We granted options of this type to about 60,000 employees worldwide (including Avaya employees), covering a total of approximately 100 million shares.

We carefully considered these compensation actions, taking into account shareowners' concerns, and felt that these actions were vital to our continuing efforts to retain our people, and to improve our competitive position.

Franklin A. Thomas (Chairman)
Paul A. Allaire
Betsy S. Atkins
Carla A. Hills
John A. Young

Summary Compensation Table

Name and Principal Position(1)	Year	Annual Compensation(2)			Long Term Compensation(2)			All Other Compensation (7)($)
					Awards		Payouts	
		Salary ($)	Bonus (3)($)	Other Annual Compensation (4)($)	Restricted Stock Award(s) (5)($)	Securities Underlying Options (#)	LTIP Payouts ($)	
Richard A. McGinn(6)	2000	1,100,000	—	137,384	—	3,424,820	—	35,781
Chairman of the Board	1999	1,100,000	5,129,636	157,323	—	1,410,220	2,165,680	23,077
and Chief Executive Officer	1998	1,100,000	11,861,652(8)	120,914	8,606,260	1,108,030	—	23,153
Deborah C. Hopkins(9)	2000	287,083	4,650,000(10)	228,215	3,667,499	1,057,664	—	694,719
Executive Vice President	1999	—	—	—	—	—	—	—
and Chief Financial Officer	1998	—	—	—	—	—	—	—
John Dickson	2000	436,667	350,000	22,745	—	1,551,242	—	28,773
President and CEO,	1999	365,000	821,343	20,898	—	110,803	263,960	32,863
Microelectronics and	1998	331,000	631,061	20,511	6,317,190	100,730	—	44,353
Communications Technologies								
Ben Verwaayen(11)	2000	700,000	—	25,902	—	564,088	—	19,519
Vice Chairman	1999	700,000	1,936,570	23,126	—	201,460	900,000	53,814
	1998	691,667	2,729,554	90,698	2,840,066	443,212	—	420,296
Donald K. Peterson	2000	700,000	—	27,400	4,584,373	1,108,030	—	56,925
President and CEO,	1999	600,000	1,625,329	61,050	—	141,022	675,540	108,015
Enterprise Networks Business	1998	584,583	1,473,000	28,674	2,840,066	402,920	—	61,134
(now Avaya Inc.)								

(1) Includes those who in fiscal 2000 were the Chief Executive Officer or one of the four other most highly compensated executive officers as measured by salary and bonus. The positions shown are the principal positions held during fiscal 2000.

Explanatory footnotes continue on page 29

Footnotes

(2) Compensation deferred at the election of a named officer is included in the category (e.g., bonus or LTIP payouts) and year in which it would have otherwise been reported had it not been deferred. All share amounts have been adjusted to reflect Lucent's 2-for-1 stock splits in 1999 and 1998. Following the spin-off of Avaya, all stock options and restricted stock unit awards held by Lucent employees were adjusted so that holders of these awards will receive only Lucent stock, and not Avaya stock, when they exercise their stock options or when their restricted stock units vest. As part of these adjustments, for each option both the number of shares covered by the option and the exercise price were adjusted, and for each restricted stock unit award the number of shares covered by the award was adjusted, in each case, to preserve the value of these awards after the spin-off. Information in this table reflects these adjustments.

(3) The bonus amounts shown for 1999 include the regular annual bonus as well as additional amounts paid as short term awards and which were earned with respect to the 1996-1998 cycle long term incentive plan awards. The 1996-1998 awards were granted by AT&T before Lucent was spun off from AT&T, did not have performance criteria and were reported as restricted stock grants in 1996. The additional amounts resulted from a supplemental award made by Lucent in fiscal 1998 to provide the recipients with an incentive to improve the company's financial performance.

(4) Includes (a) payments of above-market interest on deferred compensation, (b) tax reimbursement payments and (c) certain fringe benefits. In 2000, Mr. McGinn had personal use of company aircraft valued at $40,290 and received financial counseling services valued at $24,507. In 1999, Mr. McGinn had personal use of company aircraft valued at $44,463 and received financial counseling services valued at $39,871. In 1998, Mr. McGinn had personal use of company aircraft valued at $37,063 and received a $16,800 car allowance. In 2000, Ms. Hopkins received home security equipment valued at $88,956. In 1998, Mr. Verwaayen had personal use of company aircraft valued at $26,934 and received a $16,800 car allowance. In 1999, Mr. Peterson received a $16,800 car allowance.

(5) Dividend equivalents relating to cash dividends paid by Lucent are paid in cash on restricted stock units granted before fiscal 2000. Based on the closing price of Lucent stock on the New York Stock Exchange on September 30, 2000, the aggregate number and value of all restricted stock unit holdings on such date were 1,018,312 shares and $30,896,604 for Mr. McGinn; 120,876 shares and $3,667,498 for Ms. Hopkins; 262,029 shares and $7,950,222 for Mr. Dickson; 475,445 shares and $14,425,477 for Mr. Verwaayen; and 530,107 shares and $16,083,976 for Mr. Peterson.

(6) Mr. McGinn ceased being Chairman of the Board and Chief Executive Officer on October 22, 2000.

(7) The amounts shown for 2000 include (a) company contributions to savings plans ($7,208 for Mr. Dickson; $6,324 for Mr. Peterson); (b) the dollar value of the benefit or premiums paid for split-dollar life insurance policies (unrelated to term life insurance coverage) projected on an actuarial basis ($35,781 for Mr. McGinn, $27,876 for Ms. Hopkins, $8,802 for Mr. Dickson, $19,519 for Mr. Verwaayen, $24,885 for Mr. Peterson); and (c) payments equal to lost company savings plan matching contributions resulting from tax code limitations ($12,763 for Mr. Dickson and $25,716 for Mr. Peterson); and (d) payment of $666,843 of relocation expenses for Ms. Hopkins.

(8) Mr. McGinn's 1998 bonus includes a regular annual bonus of $4,417,652, and a special one-time bonus payment of $7,444,000.

(9) Ms. Hopkins became Executive Vice President and Chief Financial Officer on April 21, 2000.

(10) The amounts shown under "Bonus" for Ms. Hopkins include a hiring bonus of $4,000,000, and a bonus of $650,000 that was paid pursuant to her employment agreement.

(11) The amounts shown under "Bonus" for Mr. Verwaayen for 1998 include $667,354 from a hiring bonus.

Option Grants in Last Fiscal Year

	Individual Grants(1)				
Name	Number of Shares Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Grant Date Present Value (2) ($)
Richard A. McGinn	2,014,600	0.76%	62.6986	4/18/2010	56,449,092(3)
	1,007,300	0.38%	58.1071	10/24/2009	27,690,677(4)
	402,920	0.15%	58.1071	10/24/2009	10,040,766(5)
Deborah C. Hopkins	327,372	0.12%	62.0781	4/20/2010	9,061,657(6)
	327,372	0.12%	54.6635	5/21/2010	8,141,742(7)
	402,920	0.15%	42.1610	8/23/2010	7,525,337(8)
John Dickson	402,920	0.15%	58.1071	10/24/2009	10,040,766(4)
	141,022	0.05%	58.1071	10/24/2009	3,514,268(5)
	1,007,300	0.38%	52.3367	2/15/2010	22,916,075(9)
Ben Verwaayen	161,168	0.06%	58.1071	10/24/2009	4,016,306(5)
	402,920	0.15%	52.3367	2/15/2010	9,166,430(9)
Donald K. Peterson	100,730	0.04%	58.1071	10/24/2009	2,510,191(5)
	1,007,300	0.38%	58.7896	2/28/2010	25,726,442(10)

Footnotes

(1) All share amounts and exercise prices reflect adjustments made following the spin-off of Avaya.

(2) In accordance with Securities and Exchange Commission rules, we have used the Black-Scholes option pricing model to estimate the grant date present value of the options set forth in this table. Our use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require a prediction about the future movement of the stock price. The real value of the options in this table depends upon the actual changes in the market price of Lucent's common stock during the applicable period.

(3) This option vests 4 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 40%, annual dividend yield of .002% and an interest rate of 6.27%. This option was transferable to family members or entities in which family members have significant interests. Mr. McGinn transferred this option to a family member.

(4) This option vests 5 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after six years, volatility of 37%, annual dividend yield of .001% and an interest rate of 6.4%.

(5) This option vests 3 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 37%, annual dividend yield of .001% and an interest rate of 6.36%.

(6) This option vests 3 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 40%, annual dividend yield of .002% and an interest rate of 6.2%.

(7) This option vests 3 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 40%, annual dividend yield of .002% and an interest rate of 6.78%.

(8) This option vests 3 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 40%, annual dividend yield of .002% and an interest rate of 6.02%.

(9) This option vests 4 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 37%, annual dividend yield of .001% and an interest rate of 6.71%.

(10) This option vests 3 years from the grant date. We made the following assumptions when calculating the grant date present value: the option will be exercised after five years, volatility of 37%, annual dividend yield of .001% and an interest rate of 6.70%.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Values(1)

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#) Exercisable/ Unexercisable	Value of In-the-Money Options at Fiscal Year End ($) Exercisable/ Unexercisable
Richard A. McGinn	—	—	2,692,090	49,516,890
			5,640,880(2)	9,765,512
Deborah C. Hopkins	—	—	—	—
			1,057,664	—
John Dickson	138,289	6,507,007	183,062	2,482,387
			1,723,826	1,398,496
Ben Verwaayen	—	—	721,227	7,895,016
			1,521,022	8,275,734
Donald K. Peterson	448,115	23,992,181	711,757	12,789,769
			1,551,242	3,030,440

(1) All share amounts reflect adjustments made following the spin-off of Avaya.

(2) Includes an option covering 2,014,600 shares that Mr. McGinn transferred to a family member.

Pension Plans

Lucent has a non-contributory pension plan, the Lucent Retirement Income Plan, which covers most management employees, including its executive officers. Two programs are available under this plan: the Service Based Program and the Account Balance Program.

The Service Based Program generally covers most management employees hired prior to January 1, 1999. Pensions provided under this program are computed on an adjusted career average pay basis. A participant's adjusted career average pay is equal to 1.4% of the sum of the individual's (a) average annual pay for the five years ending December 31, 1998 (excluding the annual bonus award paid in December 1997), times the number of years of service prior to January 1, 1999, (b) pay subsequent to December 31, 1998, and (c) annual bonus award paid in December 1997. Average annual pay used in the Service Based Program includes base salary and annual bonus awards.

The Account Balance Program generally covers management employees hired on or after January 1, 1999, including Ms. Hopkins. Under this program, the company establishes an account for each participating employee and makes annual contributions to that account based on the employee's age, salary and bonus, in accordance with the following schedule:

Age	Contributions as a percent of salary and bonus
21 - less than 30	3.00%
30 - less than 35	3.75%
35 - less than 40	4.50%
40 - less than 45	5.50%
45 - less than 50	6.75%
50 - less than 55	8.25%
55+	10.00%

In addition, interest is credited on the last day of the year.

Federal laws place limitations on compensation amounts that may be included under the pension plan. In 2000, up to $170,000 in eligible base salary and annual bonus could be included in the calculation under this plan. For Mr. McGinn, Ms. Hopkins and Messrs. Dickson and Peterson, as well as other executive officers, only base salary is taken into account in the formula used to compute pensions under this plan.

The normal retirement age under the plan is 65; however, employees who are at least age 50 with at least 15 years of service can retire with reduced benefits under the Service Based Program. If an employee's age (which must be at least 50) plus service, when

added together, is equal to or greater than 75 years the employee may retire with unreduced pension benefits. A reduction equal to 3% is made for each year age plus service is less than 75. Once vested, normally after five years of service, an employee participating in the Account Balance Program is entitled to the amounts in his or her account when he or she leaves the company.

Compensation and benefit amounts which exceed the applicable federal limitations, as well as pension amounts related to annual bonus awards payable to executive officers, are paid under the company's supplemental pension plan, the Lucent Supplemental Pension Plan. This plan is a noncontributory plan and has the same two programs and uses the same adjusted career average pay formula and eligibility rules as the Retirement Income Plan. The company pays all benefits under this plan from its general assets.

The supplemental pension plan also provides executive officers with minimum pensions. Eligible retired executive officers and surviving spouses may receive an annual minimum pension equal to 15% of the sum of final base salary plus annual bonus awards. This minimum pension will be offset by pensions under the management and supplemental pension plans.

In addition to the benefits described above, Mr. Dickson is entitled to a supplemental pension benefit under the supplemental pension plan. This benefit is available to certain management employees who were hired at age 35 or over at specified levels and who terminate with at least five years service at such level. The plan provides additional pension credits equal to the difference between age 35 and the maximum possible years of service attainable at age 65, but not to exceed actual net credited service, at one-half the rate in the management pension plan. Pensions under the management and supplemental pension plans are not subject to reductions for social security benefits or other offset amounts.

When he left the company, Mr. McGinn became entitled to an annual pension of approximately $1 million. If Mr. Dickson continues in his current position and retires at the normal retirement age of 65, the estimated total annual pension payable to him under the Service Based Program of the management and supplemental pension plans would be $635,000.

The amounts given for Messrs. McGinn and Dickson are straight-life annuity amounts. Other optional forms of payment, which provide for actuarially reduced pensions, are available.

Ms. Hopkins' estimated balance in the Account Balance Program at age 65 would be $715,000. This represents a lump sum payment; other optional forms of payment are available.

Mr. Peterson is now the Chief Executive Officer of Avaya. Avaya will be responsible for all pension benefits payable to Mr. Peterson based on his service at Lucent.

Mr. Verwaayen is entitled to a pension benefit intended to provide him, after taking into account all other pension benefits, with an annual pension equal to one half of his average salary and annual bonus for the three years preceding his leaving the company. If Mr. Verwaayen leaves the company before reaching age 60, payments under this arrangement will not begin until Mr. Verwaayen reaches age 60 and the amount of the payments will generally be reduced unless the reason is his death or disability or a company-initiated termination other than for cause. Assuming retirement at age 60, Mr. Verwaayen would receive an estimated annual pension (before reduction for any other pension to which he may be entitled) of $1,550,000 under this arrangement.

Certain of the company's non-qualified executive benefit plans will be supported by a benefits protection grantor trust, the assets of which are subject to the claims of the company's creditors. In the event of a Change in Control or Potential Change in Control of the company (as such terms are defined in the applicable plans), certain additional funds might be required to be contributed to such trust to support benefits under such plans.

Executive Agreements and Other Relationships

Ms. Hopkins. In April, we appointed Deborah Hopkins as our new Chief Financial Officer after Donald Peterson was named Chief Executive Officer of Avaya. Ms. Hopkins is a dynamic leader who came to Lucent with a proven record of success, having most recently been the Chief Financial Officer of Boeing. When Ms. Hopkins joined us, we entered into an agreement that set out our understanding with her on a number of subjects.

The agreement provides that Lucent will pay

Ms. Hopkins a salary that will be no less than $650,000 per year and a target bonus equal to 100% of her base salary. For 2000, we agreed to pay Ms. Hopkins a bonus of at least $650,000.

In order to encourage Ms. Hopkins to join Lucent and to address compensation that she would forfeit when she left Boeing, we provided Ms. Hopkins with a hiring bonus that included:

- Stock options covering 654,744 shares that vest over three years.
- 120,876 restricted stock units that vest over four years.
- A cash bonus of $4 million.
- Relocation benefits that included moving expenses and an agreement to make up any loss on the sale of her old residence and boat.

If Ms. Hopkins chooses to leave Lucent other than for Good Reason or is terminated for cause, she will have to repay the $4 million cash bonus if she leaves within two years and will have to repay the relocation benefits if she leaves within one year. "Good Reason" means that there has been a material diminution in her salary or job responsibilities or that she is required to move more than 50 miles.

The agreement also provides Ms. Hopkins with severance benefits that would be payable to Ms. Hopkins in the event Lucent terminates her employment for any reason other than for cause or if she chooses to leave the company within three months of an event constituting Good Reason. If either of these events occurs before April 2005, she would be entitled to a severance payment equal to two times her base salary plus target bonus in effect at the time she left Lucent. If Lucent terminates her employment after April 2005, she will be entitled to severance benefits consistent with those provided to other executive officers.

If Lucent terminates her employment for any reason other than for cause or if she chooses to leave the company within three months of an event constituting Good Reason, Ms. Hopkins will be entitled to the following, regardless of when the event occurs:

- All unvested stock options that were granted before April 2005 will vest and these options, to the extent not previously exercised, will remain exercisable for up to 90 days following termination of employment.

- All restricted stock units that were granted before April 2005 that are not yet vested will become vested.

In order to receive any of these severance benefits, Ms. Hopkins will have to sign a release and an agreement not to sue the company.

Mr. Verwaayen. Lucent hired Mr. Verwaayen in 1997 to lead the company's efforts to expand its business outside the United States. Before coming to Lucent, Mr. Verwaayen was president of PTT Telecom, the national telecommunications carrier of the Netherlands, and chairman of Unisource, a pan-European telecommunications company providing services to businesses and consumers. In order to persuade Mr. Verwaayen to leave those positions and join Lucent, we entered into an employment agreement with Mr. Verwaayen.

In order to encourage Mr. Verwaayen to join Lucent and to compensate him for certain forfeitures he would experience by joining Lucent, the company provided Mr. Verwaayen with a hiring bonus that included, among other things, the following awards:

- An option to purchase 906,570 shares. One half of the option vested in 2000; an additional 25% of the option vests in each of 2001 and 2002.
- 342,482 restricted stock units that will vest in 2002.

The company also guaranteed a portion of a loan provided by EAB Mortgage Company, Inc. to Mr. Verwaayen. The principal amount of the loan is due in 2027 or, if sooner, no later than 180 days after Mr. Verwaayen's employment with the company terminates. The largest amount guaranteed by the company since October 1, 1999 under this arrangement was approximately $1.0 million. Mr. Verwaayen and Lucent have entered into an indemnity agreement under which Mr. Verwaayen has agreed to reimburse the company for any amounts it pays pursuant to the guarantee.

The agreement also provides Mr. Verwaayen with a customized pension described above under "Pension Plans" and a gross-up payment if he is subject to taxes outside the U.S. at a higher rate than in the U.S.

The agreement also provides for Mr. Verwaayen to receive severance benefits in the event that, before September 2007, the company terminates his employment other than for cause or if Mr. Verwaayen resigns following certain adverse changes in the terms of his

compensation or job responsibilities. These benefits would be calculated based on Mr. Verwaayen's then annual base salary and target annual incentive bonus or, if greater, 80% of his annual base salary, and would be an amount equal to twice Mr. Verwaayen's base salary and annual incentive bonus.

In addition, if Mr. Verwaayen's employment with the company terminates because of his death or disability, or if the company terminates his employment other than for cause, prior to the tenth anniversary of the agreement, then all unexercised stock options and unvested restricted stock units included in his hiring bonus and unvested stock options granted pursuant to regular annual grants will vest, and all undistributed performance awards that are at least six months old (and all undistributed performance awards in the event of Mr. Verwaayen's death or disability) will be paid out at the end of the performance period without proration. Similar provisions apply in the event Mr. Verwaayen resigns following certain adverse changes in the terms of his compensation or job responsibilities.

The agreement contains a non-competition provision under which Mr. Verwaayen agrees not to engage in certain activities on behalf of named competitors of the company while he is employed by the company and for a period of one year following his termination of employment for any reason.

Mr. Peterson. The employment agreement entered into by Mr. Peterson and AT&T in 1995 required the company to establish a special deferred compensation account in the amount of $190,000. Interest is compounded as of the end of each calendar quarter for as long as any sums remain in the account, and the quarterly rate of interest applied at the end of any calendar quarter is one-quarter of the average 30-year Treasury Note rate for the previous quarter. The amounts credited to the account vested in October 1999 and will be paid out by Avaya following Mr. Peterson's termination of employment with that company.

Mr. Schacht. During fiscal 2000, a privately held business, of which Mr. Schacht holds 80% of the equity interest and of which his son is the controlling shareholder, purchased and paid for call center equipment and consulting services for a total of approximately $800,000 in a transaction negotiated at arm's-length on terms typically offered to unaffiliated customers.

Transition Arrangements. We have asked Mr. Schacht to serve as our Chief Executive Officer and he has announced his intention to remain in that position until we appoint a successor. While he is leading the company, we are searching for his successor. In light of the uncertainty that new leadership would bring for members of senior management and our desire to maintain continuity of our senior leadership during this rebuilding and transition period, we are developing additional retention arrangements and severance arrangements for selected officers including Ms. Hopkins and Messrs. Dickson and Verwaayen. We expect that these arrangements will provide for cash payments and accelerated vesting of equity awards in the event of an involuntary termination. We are also developing arrangements with each of Ms. Hopkins and Mr. Verwaayen that would apply if they choose to leave Lucent after a new Chief Executive Officer is appointed and in addition, in the case of Mr. Verwaayen, if he remains with the company for a year and a half and then chooses to leave Lucent.

OTHER MATTERS

Whether or not you plan to attend the meeting, please vote over the Internet or by telephone or mark, sign, date and promptly return the proxy card sent to you in the envelope provided. No postage is required for mailing in the United States.

You can obtain a transcript of the meeting by writing to Shareowner Meeting Transcript Requests, 600 Mountain Avenue, Room 3C-515, Murray Hill, New Jersey 07974.

Henry B. Schacht
Chairman of the Board and
Chief Executive Officer

January 8, 2001

AUDIT COMMITTEE CHARTER OF THE AUDIT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS

Purpose

1.1 The Audit and Finance Committee is appointed by the Board of Directors of the Company to assist the Board in fulfilling its oversight responsibilities.

1.2 The Committee's primary audit committee duties and responsibilities are to assist the Board with respect to:

- The adequacy of the Company's internal controls and financial reporting process and the reliability of the Company's financial reports to the public.
- The independence and performance of the Company's internal auditors and external independent auditor ("Independent Auditor").
- The Company's compliance with legal and regulatory requirements.

1.3 The Committee shall have the authority, in its discretion, to conduct investigations and retain, at the Company's expense, special legal, accounting or other consultants or experts to advise the Committee.

Membership

2.1 The Committee shall be comprised of not less than three members of the Board.

2.2 All members of the Committee shall meet the independence requirements of the New York Stock Exchange as interpreted by the Board in its business judgment.

2.3 Each Committee member shall be financially literate as such qualification is interpreted by the Board in its business judgment, or shall become financially literate within a reasonable period of time after appointment to the Committee.

2.4 At least one member of the Committee shall have accounting or related financial management expertise as the Board interprets such qualification in its business judgment.

Committee Meetings

3.1 The Committee shall hold meetings at least quarterly each fiscal year, and at any additional time as either the Board or Committee deems necessary.

3.2 The Committee may request that members of management and/or the Company's Independent Auditor be present as needed.

3.3 Annually, the Committee shall meet, in separate private sessions, with each of (i) the Company's chief financial officer, (ii) the Company's senior internal auditing executive, and (iii) the Independent Auditor.

3.4 Minutes of each meeting will be kept and distributed to the entire Board.

General Principles as to Independent Auditor

4.1 The Committee adopts the following principles with respect to the Company's Independent Auditor:

a. The Committee shall recommend to the Board the appointment of the Independent Auditor which is ultimately accountable to the Board and the Committee.

b. The Committee shall evaluate the performance of the Independent Auditor and, if so determined by the Committee, recommend that the Board replace the Independent Auditor. The Committee and the Board have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the Company's Independent Auditor.

c. The Committee shall review and approve the fees to be paid to the Independent Auditor.

d. If the Company's Independent Auditor identifies a significant problem which is not being adequately addressed by management, it should be communicated to the Committee.

4.2 The Committee shall undertake the following with respect to the Independent Auditor's independence:

a. Ensure that the Independent Auditor submits annually, a formal written statement including the written disclosures required by Independence Standards Board Standard No. 1 delineating all relationships between the Independent Auditor and the Company.

b. Actively engage in a dialogue with the Independent Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditor.

c. Recommend, if determined by the Committee to be called for, that the Board take appropriate action in response to the Independent Auditor's report to satisfy itself of the Independent Auditor's independence.

Primary Responsibilities—Audit

Audits

5.1 The Committee shall review and discuss with management the audited financial statements of the Company and the results of the year-end audit by the Company's Independent Auditor and internal auditing.

5.2 The Committee shall discuss with the Independent Auditor the matters the Independent Auditor determines are required to be discussed by Statement on Auditing Standards No. 61.

5.3 Based on the review and discussions with management and the Independent Auditor referred to in paragraphs 4.2, 5.1 and 5.2 above, the Committee will advise the Board of Directors whether it recommends that the audited financial statements be included in the Company's annual report on Form 10-K (or incorporated from the Annual Report to Shareowners).

5.4 The Committee or the Chairman of the Committee shall discuss with management and the Company's Independent Auditor the matters the Independent Auditor determines are required to be discussed by Statement on Auditing Standards No. 71 regarding the interim quarterly financial statements prior to filing the Form 10-Q with the Securities and Exchange Commission.

Internal Controls

5.5 The Committee shall discuss with management and the Independent Auditor:

a. The adequacy of the Company's internal accounting controls and the financial reporting process.

b. The status of internal control recommendations made by the Independent Auditor and internal auditing.

5.6 The Committee shall periodically receive reports

from and discuss with the Company's General Counsel the adequacy of the policies and practices of the Company related to compliance with key regulatory requirements, conflicts of interest and ethical conduct.

Other

5.7 The Committee shall periodically receive reports from and discuss with the Company's General Counsel any material government investigations, litigation or legal matters.

Scope of Responsibilities

6.1 The Committee shall:

a. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

b. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

6.2 While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the Independent Auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the Independent Auditor or to assure compliance with laws and regulations and the Company's Code of Conduct.

Lucent Technologies
Bell Labs Innovations







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